

Market Report

Family
Investors
Company



Spring, 2006

265 South Avenue, Fanwood, New Jersey 07023
Phone: (908) 322-1800 Email: info@familyinvestors.com
Visit our website at: www.familyinvestors.com

IRA Accounts

To allow for sufficient processing time, our office will be accepting IRA contributions for clients with existing accounts **until 4:00PM on Monday, April 17th** (the NYSE and our office are both **CLOSED on Friday, April 14th**). However, if you are a new client or opening a new account, you must complete required paperwork which could take some time. To be assured your investment can be processed within time constraints, **PLEASE DO NOT WAIT** until the deadline before making a contribution to your IRA. The office is also open Saturdays from 9AM until 12 Noon for your convenience.

For tax year 2005, you can contribute up to \$4,000 to an IRA account. Those aged 50 and over are allowed the \$500 “catch up” and are able to contribute up to \$4,500.

Future Happenings

Family Investors Company is pleased to present the following three seminars:

On Tuesday, May 9th, **Steve Goldberg** will offer “[How Much Life Insurance Do I Really Need?](#)” This useful session will help you calculate whether your current life insurance is sufficient to provide for your loved ones should tragedy befall you.

On Tuesday, May 16th, **Darraugh Valli** will host “[Financial Concerns for the Suddenly Single.](#)” Has the death of your spouse or a divorce left you unsure about your finances and your investments? Plan to attend this informative session.

On Tuesday, June 6th, **Noah Tennenhaus**, Regional Manager, Lord Abbett Funds, will discuss “[Current Economic Trends.](#)”

These seminars will be held at the Family Investors Company location at 7PM. Admission is free but a reservation is required. Call the office or email info@familyinvestors.com to reserve your seat. Bring a friend. Light refreshments will be provided.

Tidbits

Congratulations to Betty Biondi, our winner of the “Family” Appreciation Word Search contest in the Winter 2006 Market Report. Thank you to all who participated and for helping make our client appreciation contest a success.

The Fanwood Business and Professional Association will sponsor its 5th annual Street Fair **Sunday, June 25th 11AM to 5PM** (there is no rain date). South and Martine Avenues will be closed as vendors, food purveyors, entertainers, crafters and businesspeople welcome you to Fanwood. Stop by the Family Investors Company display to say “Hello!”



CONTENTS

Family Chatter	2
Perspectives / Information	2
Compliance Chat	2
Economic Outlook	3
Tax Tips	3
Spotlight	4

Perspectives / Information

If you are in the market for a new car, [do your homework](#) before heading to the dealership. Using the internet, you can easily find the dealer's ACTUAL COST of the car and what other buyers in your area are actually paying for the vehicle you want. Visit the website www.edmunds.com.

Should you be thinking about purchasing a pre-owned car, CARFAX (www.carfax.com) can provide a vehicle history report for a fee. Don't purchase a used vehicle without a check of its history. If the vehicle came from a state hard hit by last summer's hurricanes, watch out! CARFAX checks for title problems, odometer readings, accident damage and problems with the vehicle.

If you decide to take a test drive, the salesperson will request your driver's license to make a copy for the dealership's records. Make a copy of your license BEFORE going to the dealer and write on this copy "Not valid for any credit checks." If you don't specify this, once you are taking that test drive your credit history can be looked up. Viewing your credit history when you explicitly say you do not want it checked is punishable by a fine of up to \$10,000. While you may be at the dealership where you do purchase or lease the vehicle, visiting various dealers and having your credit checked several times in a short period of time can actually lower your credit score.

Compliance Chat

Diana Cilluffo

SEC Regulations require that we inform our clients of the Family Investors Company privacy policy with regards to their personal information. Please be advised Family Investors Company does not disclose your confidential information to anyone (other than necessary information sent to our clearing agent). We are required to obtain this information to provide you with suitable financial products or services, but this information is NOT shared. We take precautions to protect personal information at all times and we will remain vigilant in protecting that information.

SAFEGUARD YOUR PRIVACY!



THE LIGHTER SIDE

**Forget injuries;
never forget kindnesses.**

**If you refuse to accept
anything but the very best,
you will often get it.**

**The reason a dog has many
friends is because
it wags its tail and
not its tongue.**

**Be a good listener.
Your ears will never
get you in trouble.**

**It is better to ask some
of the questions than to
know all of the answers.**

Old too soon, smart too late.

Family Chatter

[Fred Chemidlin](#) welcomed his 23rd grandchild—Kyle Evan Karaczyk, born to Sandra and Keith Karaczyk. Fred continues his volunteering as a "cuddler" at Newark's Beth Israel Hospital. Congratulations to [Edna Trujillo](#)'s daughter, Keila, and to [Steve Goldberg](#)'s son, Andrew, both seniors at Scotch Plains/Fanwood High School, who were accepted at, and will be attending Rutgers University in the fall. Edna's daughter, Andrea, was chosen for Pit Orchestra in the high school's production of 42nd Street—quite an honor. [Peter Chemidlin](#) escorted daughter, Morgan, to the Girl Scouts' annual "Daddy Daughter Dance." Peter also was in Florida to watch the Daytona 500 trials. [Emmy Salerno](#), and husband Charles, along with [Joe Chemidlin](#) and wife, Valerie, vacationed in Florida with their brother, John, at his home. Congratulations to [Matt Chemidlin](#) who is celebrating his 8th year with the firm and to [Diana Cilluffo](#) who is celebrating her 13th year.

**The office will be closed Saturdays beginning May 27th.
It will re-open for Saturday hours on September 9th.**

Economic Outlook

It was said that **Americans are gluttons for oil**. With the turmoil in the Middle East and Venezuela, our economic stability is being tested. Oil prices are at levels unthinkable 10 years ago. Will rising demand from booming economies in countries like India and China push prices up even higher? Increased home heating costs and higher prices for gasoline affected all households this past winter. In addition, costs for electricity are predicted to hit all time highs this summer.

While American consumption is at all time highs, American savings rates are at all time lows. According to experts, in 1981 families saved an average of 11% and owed 4% of their income on credit cards. By 2000, the savings rate had already fallen below zero and credit card debt has gone up to 12% of income. Baby boomers have a bigger problem with debt than anyone else. Nearly half of them do not have a retirement account.

For all those people (some of them our clients) who have avoided foolish unsecured debt, have faithfully paid themselves first each month, have contributed to a company sponsored retirement and taken advantage of the benefits of an IRA account, life will be quite comfortable in their retirement years.

If you have not yet started thinking beyond your next paycheck, your economic situation is in dire straits.

Mutual Funds - Facts and Fancy

- ❖ Tax-free income funds are generally suitable for those with significant personal income who are in high tax brackets. If you are retired and still own tax-free income funds, check with your representative to determine if tax-free income is still of value to you, or if owning a higher yielding taxable investment is more practical.
- ❖ Some mutual funds paid hefty capital gains in tax year 2005. If you were hit hard on your income taxes with capital gains on your non-retirement investments, your representative can provide you with information on tax efficient mutual funds that may be of benefit to you and suitable for your financial situation.
- ❖ How many of a certain magazine's annual picks of "The Best Funds to Own" make the list for a second consecutive year? Stay focused on your long-term investment goals and stay with mutual funds with proven track records over both good and bad markets. Don't chase the "hot" fund picks of a magazine designed for mass market appeal.

Investment Idea

By Matthew P. Chemidlin

When trying to choose the best place to invest for retirement, picture yourself filling three buckets. The first (and best) place to start is through your employer (ie. 401k, 403b). If you are eligible contribute as much as you can. The maximum for 2006 is \$15,000 (\$20,000 if you are age 50 or older). When deciding how much of your paycheck to contribute, elect a percentage as opposed to a dollar amount. Then, when you get a raise, so does your retirement plan. If a match is offered, defer at least that same percentage from your pay. Doing a lesser amount would essentially be "throwing away free money."

If you max out your employers plan or none is offered, the next best place (bucket) to contribute for retirement is an IRA account. The maximum for 2006 is \$4,000 (\$5,000 if you are age 50 or older). Since this type of account is very portable the investment options available are almost limitless. Rollover your employer plans to an IRA should a job change occur.

If you've done all the above and find that you still have disposable income consider investing into a third bucket, a non-qualified annuity. They are very similar to a traditional IRA in tax deferral but you are not required to take distributions after age 70 ½. Depending on how their structured there may be early withdrawal penalties.

Call the office for more information and begin retirement planning now.

Holiday Closings

Our office follows the business schedule of the NYSE and will be **closed** on **Friday, April 14th** and on **Monday, May 29th**. A sign is always posted on the office front door as a reminder.

Your IRA Beneficiary or Beneficiaries

Who is the beneficiary of your IRA account? In times of changing circumstances, (such as the death of your spouse or divorce) it is prudent to know exactly who will inherit your account should you die. If you are unsure as to who you named as your beneficiaries, please call the office and speak to your representative. If you haven't done so already, make an appointment for your annual "financial check-up" and review your retirement accounts and the beneficiaries you specified.

Roth or Traditional IRA Account?

Ask your tax specialist whether a Roth IRA or a traditional IRA is best for you. It all depends on your income and whether you and/or your spouse are covered by a company sponsored retirement plan.

You can receive the "Market Report" via email or online at our website. We would be happy to send it to you quarterly as soon as it becomes available. Email info@familyinvestors.com to request this service.

Where's My Refund?

You can check on the status of your federal income tax refund by calling toll-free 800 829-1040, or log on to the web at www.irs.gov. Click on "Where's My Refund." You will need to know your Social Security number, your filing status and the amount of your refund.

How Well Do You Know Your Money?

Can you answer these questions without looking at your money?

1. What is on the back of a dime?
2. What is the average lifespan of a dollar bill?
3. In addition to the Treasurer of the United States, who else has his or her signature on US currency?
4. Who and/or what is depicted on both sides of the \$20 bill?
5. What are the ridges on the sides of coins called?



- Answers:
1. A torch
 2. 9 months
 3. The Secretary of the Treasury
 4. Andrew Jackson and the White House.
 5. Reeding or milling.

Investment Terms

You hear investment terms on television and in the print media. But what do they mean? Here is a primer of some common mutual fund and investment terms:

1. **Waiver of Premium:** An insurance policy clause or option which allows a policyholder who becomes seriously ill or disabled not to pay the premiums,
2. **Amortization:** The gradual elimination of a liability, such as a mortgage, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.
3. **Know Your Customer:** A guideline stated or implied by various security regulatory bodies which requires that brokers determine the suitability of investments for customers before making recommendations.
4. **Fund Manager(s):** The individual(s) responsible for making decisions related to any portfolio of investments (usually a mutual fund)

The IRS is holding money in old unclaimed tax refunds. More than \$2 billion is sitting in the Internal Revenue Service account waiting to be claimed by the rightful owners. The money is owed to 1.7 million taxpayers who never filed 2002 tax returns. Federal law states you have a three-year window from the original filing deadline, which was April 2003, to claim old refunds.

You have until this April 17 to submit the paperwork. After that, Uncle Sam gets to keep the cash. The unclaimed funds website for NJ residents is:

www.state.nj.us/treasury/taxation/unclaimsrch.htm

If you are not a New Jersey resident, your home state also maintains a database of all unclaimed funds. Check for your name and also check in states where you might have resided.